

ECONOMIC AND REVENUE FORECAST

INTRODUCTION

For the third year running, King County's economy had a very strong year. Employment is at post-war lows, construction activity was very strong during 1999 and 2000 and sales tax receipts grew rapidly. The long forecasted slowdown finally emerged during the end of the year but the first part of 2000 saw very strong growth.

As this is written in summer 2001, economists are debating whether the U.S. economy has fallen into a recession or just a slowdown. This is a quick change from mid 2000 when economists were revising their forecasts upward. The Washington Office of the Forecast Council sees GDP growth at 5.0% in 2000, and reduced its March 2001 forecast from 3.2 percent in 2001 to 2.1%.¹ Similarly, the Philadelphia branch of the Federal Reserve Bank quarterly survey forecasts growth of only .8% during the first quarter of 2001 followed by growth of 2.2 percent for the entire year.² At the same, the forecasters have raised their estimates of growth for 2002 and beyond indicating that they believe this is only a temporary slowdown.

The year 2000 was one of economic transition for King County. Rapid growth in sales tax receipts gave way to much slower growth by year's end. Employment growth continued but at a slower rate and real estate activity showed a marked decline as the year drew to a close. Real estate transaction fees, an indicator of the number of properties sold, fell 20% over the prior year. Fees related to both price and sales showed no change indicating that prices are still escalating around the region. Consumer spending started strong but weakened during the year. Second quarter over second quarter had growth of over 10%; by the third quarter this had fallen to just over 7 percent, while the fourth quarter growth was an anemic 3 percent.

The following information provides more detail on our general economic forecast, a description of each of the King County revenue sources and a fund by fund analysis. The forecasts are conservative but realistic and will provide a sound basis for funding decisions.

General Forecast

The forecast was developed by surveying local economists, reviewing published State and national forecasts, and tracking recent economic developments. This review was conducted to identify the economic trends expected for 2001-2003 and to make forecasts of selected indicators that would be consistent with the local outlook. As in the past, the Budget Office relies on the forecast prepared by Conway Pedersen Economics for the general economic outlook as well as separate King County forecasts prepared by these same economists.

The year 2001 is expected to be one of transition for the county. Rapid growth in prior years will give way to slower growth in 2001 and then an acceleration in 2002 and beyond. Growth has slowed for many reasons including

- Slowing of the national economy as consumer confidence falters and the stock market returns to earth
- Stable employment at Boeing after falling for several years

¹ Office of the Forecast Council, Memo to Governor's Council of Economic Advisors, September 6, 2000.

² Philadelphia Federal Reserve Bank, "Survey of Professional Forecasters", August 2000.

- The dot-com fallout and slowdown in technology and telecom spending.
- Anemic growth in Japan

Consumers have been driving the national economy for some time now. Record purchases of automobiles and other consumer durables have fueled strong economic growth. However, the rapid decline in the stock market has shaken consumer confidence and could produce a stronger economic downturn than many forecast as recently as six months ago. The Dow Jones Industrial's rapid fall from 11,000 a year ago to just over 9,000 then back up to nearly 11,000 has unnerved many investors. The demise of the dot.com ("dot.gone" according to some) stocks has also led to a further lack of confidence in financial markets and is likely to affect consumption. These changes coupled with sharply rising energy prices spell slower growth in 2001.

Layoffs at aircraft and parts manufacturers (dominated primarily by Boeing) have declined from over 1,500 per month to nothing by early 2001. Regionwide employment peaked at 108,600 in July 1998 and it has declined to 82,700 by February 2001. Offsetting the Boeing decline has been the very rapid expansion in business service. The "new economy" has grown rapidly as employment in business services grew by 8.7% between February 2000 and February 2001. Other sectors have cooled: Construction employment which was growing very quickly grew only 2.6%. The Nisqually earthquake is expected to provide a temporary boost to the local economy as federal dollars come to the region to pay for repairs. Services performed well growing by over 4% but most other sectors managed only 2% growth over the prior year.

The shakeout in the dot.coms is now well underway. Employment declines at Amazon.com, Homegrocer.com, Onvia.com, Hardware.com, and others has taken some of the glamour off the dot.com's. Regionwide the employment impact is minor. Of more concern is the decline in Microsoft stock's value, and stock option income. According to Conway Pederson Economics, the loss of Microsoft stock option income is likely to cost the region .4 percent of its employment.

The forecasted growth in employment and other variables for the Puget Sound region (taken from the May 2001 *Economic Forecaster*) is presented in Table 1 below:

Table 1: Economic Forecast for Puget Sound Region

<i>Economic Forecaster</i> , May 2001 Forecast, Puget Sound Region				
	1999	2000	2001	2002
Annual Growth (% change)				
Employment	2.3	2.4	1.7	1.6
Personal Income (Cur \$)	8.7	4.9	3.6	5.8
Consumer Price Index	3.0	3.7	3.6	2.4
Housing Permits	-6.8	-3.5	-2.8	3.3
Population	1.5	1.3	1.3	1.5
Taxable Retail Sales	9.5	7.6	2.1	3.7
Unemployment Rate	3.7	4.1	4.6	4.8

There is much uncertainty involved in looking towards 2002. Among the factors are:

- What are Boeing's plans for local production now that they have announced the Headquarters move? If production moves from Renton, what impact will this have on King County's service responsibilities and tax revenues?
- Will Japan recover from its economic slump?
- How long will the national economic slowdown last and how deep will it be?

Consumer Spending and Personal Income

Once again consumers are driving the economy. Durable goods sales of furniture expanded by nearly 16% during the past year with automobile sales growing more than 10%; non-durable retail sales expanded 12%. Nationally, the University of Michigan sees three reasons that consumer behavior will change:

- Households already have a big stock of very new big-ticket items on hand
- Greater volatility and a slower average pace in the stock market should combine to weaken wealth-induced spending growth
- The Fed has moved short rates up six times over the past year for a total of 175 basis points. That's got to be impacting interest-sensitive demands going forward.³

The *Economic Forecaster* predicts that consumption will slow in the Puget Sound region in 2001. A predicted slowdown in personal income, slowing housing construction and a rise in unemployment will all drive durable goods sales down to 1.4 percent growth.

The largest consumer-sensitive revenue source is sales tax. King County's uses sales tax revenues for transit, criminal justice, and the General Fund.⁴ The forecasted slowdown will lead to a reduction in the rapid growth of sales tax from over 10% growth to a more moderate range of 3 percent in 2001 and higher in 2002. Over the long-term, retail sales are forecasted to grow in the historical range of 5 percent.

Interest Rates and Interest Earnings

Interest earnings continue to be difficult to forecast. During 2000, CX interest earnings were much above forecast, after falling dramatically below forecast in 1999. Because of the volatility in interest earnings, which are attributable to changes in the fund balances rather than changes in interest rates, the Budget Office continues to provide a conservative interest earnings forecast.

For 2001, it is predicted that there will be no further interest rate increases by the Federal Reserve with the potential for declines in mid-2001. Currently short-term yields are well above long-term yields and the returns on the portfolio will decline from the current rates to a range around 6.125% during 2001.

³ University of Michigan, Research Seminar in Quantitative Economics, "The Economic Outlook for 2000-2002", August 2000.

⁴ The General Fund includes the Current Expense subfund, Diverted Road Taxes subfund, Refund Levy Taxes subfund, Designated for Contingencies subfund, Children and Family Services subfund, and the Inmate Welfare subfund.

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The following table presents our forecast short-term interest rates to be earned on County investment balances:

Table 2: Interest Rate Forecast

<u>2000 3rd Qtr.</u>	<u>2000 4th Qtr.</u>	<u>2001 Annual Average</u>
6.4%	6.4 %	6.125 %

KING COUNTY REVENUES

Total revenues to the County exceed \$2 billion dollars, which King County distributes into over 50 separate funds. The largest funds include those for transit, wastewater, surface water management, roads, and the County general fund. Table 3 identifies the major revenue sources for King County for all funds.

Table 3: Major Revenue Sources

	1998 Adopted	1999 Adopted	2000 Adopted	2001 Adopted
Beg Unencumbered Fund Bal	-	970,848	-	1,429,674
Taxes	717,567,775	765,481,815	719,275,061	715,108,733
Licenses & Permits	16,064,790	16,040,636	18,022,369	18,066,214
Intergovernmental Revenue	28,640,718	26,756,947	26,756,947	26,756,947
Federal Grants-Direct	24,137,304	26,852,073	28,650,976	30,207,497
Federal Shared Revenues	721,204	732,617	678,590	688,182
Federal Grants-Indirect	46,529,744	47,740,164	44,605,870	62,580,257
State Grants	81,134,564	81,737,617	99,941,683	103,615,392
State Shared Revenues	151,721	177,911	176,000	1,301,000
State Entitlements	29,530,487	26,326,768	46,590,108	53,464,540
Grants From Local Units	150,175	300,732	1,448,525	1,435,851
Intergovernmental Payment	104,876,440	118,425,668	123,027,845	135,836,103
Charges For Services	543,716,432	599,020,549	661,206,645	741,870,293
Fines & Forfeits	6,300,462	6,493,323	7,069,093	7,232,871
Miscellaneous Revenue	107,640,664	136,228,722	29,496,904	160,022,094
Stadium Operating Revenues	9,744,434	6,853,074	221,000	-
Non Revenue Receipts	(71,168)	(181,744)	2,221,277	8,569,357
Other Financing Sources	252,000,451	234,402,425	232,674,995	206,715,841
Subtotal Operating & Debt Service	1,968,836,197	2,094,360,145	2,042,063,888	2,274,900,846
Capital Project Revenues	716,751,950	676,329,212	549,899,394	469,348,967
TOTAL COUNTY REVENUES	2,685,588,147	2,770,689,357	2,591,963,282	2,744,249,813

The largest revenue sources are taxes and charges for services. Taxes include property tax, sales tax, and taxes on real estate transactions. Charges for services include both direct contracts, interfund payments, and other services provided by the County.⁵

In the remainder of this section each of the major revenue sources is discussed. Following that will be a discussion of the County's funds, with a discussion of the Public Transportation and Water Quality Funds as well as the Current Expense Fund. An appendix provides further detailed information on revenues.

⁵ The decline in capital projects is due to the recognition of projects cancellations. These cancellations were not included in prior years.

Tax Sources

Taxes are the largest source of revenues to King County, accounting for 31.4 percent of all operating revenues and 61 percent of the revenues to the Current Expense Fund. The major tax sources for the County include property taxes, sales and use taxes, hotel and motel taxes, E911 excise taxes, and other sources. Total King County tax revenues are projected to be \$ 715 million in 2001, a decline of .5% over the projected 2000 collections. These revenues support operating expenses and debt service. The property tax is the single largest tax source for the County, with an adopted levy of \$340 million in 2001, with an additional \$46 million collected for Emergency Medical Services (EMS). Figure 1 below provides the breakdown of the tax sources to the County.

Figure 1:

**Tax Sources to King County
All Funds, 2001 Adopted**



PROPERTY TAXES

Property taxes are collected through the countywide levy, the unincorporated area levy, the Emergency Medical Services levy and voter approved debt. These monies are dedicated to various funds within King County.

Property tax revenues are limited by both policy and State law. The levy amount is limited by the 106% annual lid on increases. (As a matter of policy, King County has not applied this limit to lid lifts, such as the Automated Fingerprint Identification Services levy.) The one important exception to this rule is that the value of any new construction is assessed at the prior year's levy rate and added to the 6 % increase to set the total new levy amount. Therefore, the level and value of new construction activity is the key variable in estimating the total revenues the County can expect to receive from property taxes. Due to the limitations on property tax, the revenue source is a fairly stable source of income to King County.

The All-County levy⁶ is projected to go up by 4.1 percent in 2001, with new construction providing 1.6 percent of that increase; the base levy amount was increased by 1.5 percent⁷. New construction assessments in 2001 reflected the strong local economy and hit a recent high of over \$3.8 billion, not including utility new construction, the highest ever. The overall All County Levy is projected to increase from \$220 million to \$229 million in 2001. The amount remaining for the CX is this amount less debt service, AFIS, river improvement, and other designations. The CX revenues from the property tax levy are \$202 million (5.2%) or \$10 million more than the prior year⁸.

The Unincorporated Area Levy (traditionally called the “road levy”) will levy \$51.1 million in 2001, and will total \$50.4 million after distributions to new cities and undercollection.

Property tax collections in 2001 and future years could be affected by continuing legal uncertainty concerning Initiative 722, which was adopted by the voters in November 2000. The Initiative stipulates that tax increases adopted between July 2, 1999 and December 31, 1999 are null and void. Furthermore, the Initiative stipulates that the property tax limit factor shall not exceed 2 percent.

The Initiative is currently being considered by the Washington State Supreme Court. There are numerous interpretations of Initiative 722 and its impact on the County's finances. It is possible that the Initiative will require King County to refund the property tax increase adopted as part of the 2000 budget and lower the 2001 base accordingly. Should this be required, the 2000 property tax levy was \$7.2 million more than allowed (the remainder is new construction) while the 2001 levy would be reduced by over \$9 million. The property tax levy for conservation futures would also be reduced and a refund of nearly \$1 million be required. Other tax increases which were included as part of the 2000 budget would be repealed as well. These include the rural drainage fee, increases in DDES fees, and other smaller fees.

⁶ The All County levy includes the CX Fund and transfer to mental health/developmental disabilities, river improvement fund, human services, veterans' aid, Intercounty river improvement, and limited bond redemption.

⁷ The remaining portion of the increase is accounted for by the refund levy.

⁸ This is before adjustment for the collection rate.

S A L E S T A X E S

The Countywide sales tax rate until April of 2001 was 8.6%; after that date it increased to 8.8%. Of this amount, the following percentages are collected:

- 1.00% in unincorporated portions of the County
- 0.15% in incorporated portions of the County
- 0.60% transit tax (entire County), increasing to .8% on April 1, 2001.
- 0.10% criminal justice tax (entire County)

Sales tax revenues are distributed to several funds within the County. The largest recipient is the Transit Fund. The following funds are projected to receive the indicated amounts in 2001:

- Public Transportation Fund receives \$218 million.
- General Fund receives \$76 million.
- Criminal Justice Fund receives \$12.5 million.

The Criminal Justice Fund receives sales tax from the extra 1/10 of 1% County-wide tax approved by the voters in 1992. The total collected in the County is distributed to local jurisdictions (including unincorporated King County) on the basis of population after 10 percent is taken off the top and allocated to King County government. King County's total allocation will amount to approximately \$12.5 million from the sales tax in 2001.

The Transit Fund receives a Countywide sales tax which was set at a rate of 0.6% until April 2001. Based on voter approval in November 2000, the sales tax rate was increased to .8% in April. Before passage of the ballot measure, the projected 2001 revenues are \$218 million.

The sales tax is strongly influenced by changes in the economy and by the geographic areas from which it is collected. The Public Transportation Fund and the Criminal Justice Fund receive revenues from County-wide sales while the CX Fund receives 1% from unincorporated area transactions and 0.15% from incorporated areas.

Total projected 2001 sales tax revenue to the CX Fund is \$76 million which includes the impact of annexations and incorporations. The 2001 tax receipts are projected to grow over the 2000 receipts by 2.8%. This estimate is consistent with the estimates developed by Conway and Associates for the Department of Transportation. Of the total, nearly \$3.4 million will be deposited to the Children and Family Services Subfund and \$3.8 million to the Sales Tax Reserve Subfund, with the remaining \$68.5 million dedicated to the Current Expense Subfund. These three subfunds comprise the General Fund.

REAL ESTATE TAXES

King County levies the Real Estate Excise Tax (REET) in unincorporated King County and collects a 1% collection fee on all REET taxes collected in the County. High levels of real estate sales in 1999–2000 brought in significant amounts for all REET-related accounts. The Adopted Budget forecasts a decline from these levels as real estate sales slow with the economy.

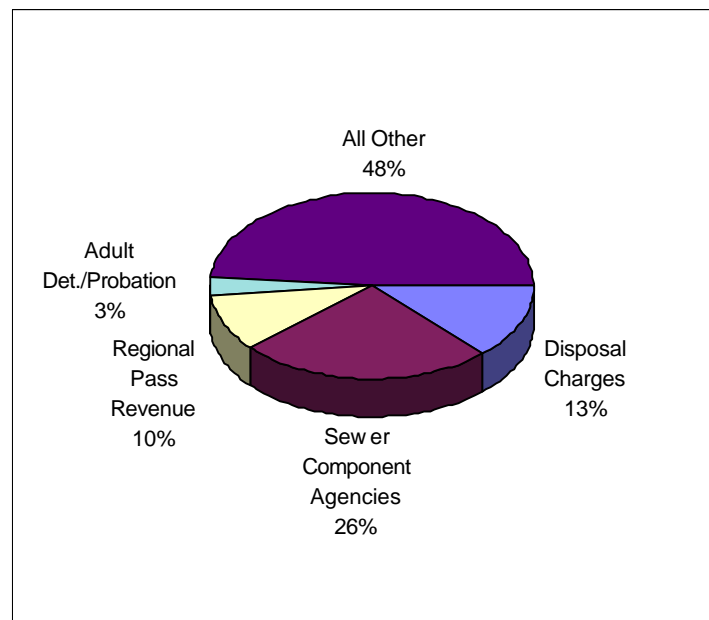
REET #1 and REET #2, both at 0.25%, are dedicated to the unincorporated area. Revenues from each tax are estimated at \$5.5 million in 2001. The REET collection fee, which is dedicated to the Current Expense Subfund, is also forecast to decline during 2001 to \$2.2 million.

Charges for Services

After taxes, the second largest income category for the CX Fund is charges for services. Charges for services include public safety and court contracts, motor vehicle licensing, recreation programs, health services, recording and reproducing County documents, as well as other services. Charges for service also include interfund charges since many of these charges are not charges to the public but charges to other County agencies. Charges for services provide the major source of revenue for the wastewater, transit, and solid waste funds. Figure 2 below provides the breakdown for charges for services.

As Figure 2 demonstrates, the majority of charges are associated with the disposal of solid waste, sewer treatment, and transit activities. The category of “All Other” includes primarily interfund charges within King County (such as personnel benefits) and are not direct charges to other governments or to the public.

Figure 2: Charges for Service Revenue, 2001 Adopted



Other Revenues

Other revenues include revenues which are primarily related to interfund payments. Some of the larger revenues include motor pool rental, insurance, facilities management, and related internal transfers.

FUND ANALYSIS

The County allocates its financial resources into a variety of accounting entities called “funds” or “subfunds” to account for revenues and expenditures. The use of multiple funds is necessary to ensure compliance with State budget and accounting rules, and to promote accountability for specific projects or activities.

Operating expenditures for services typically associated with the County, such as adult detention, public safety, parks, and other functions are accounted for in the General Fund. The Current Expense Fund is a subfund of the General Fund.

Many departments or programs have separate funds or subfunds. Special revenue funds include the Mental Health Fund, the Public Health Fund, Community Development Block Grants, Department of Development and Environmental Services, and other funds. Enterprise funds include Transportation, Wastewater, Solid Waste, and other functions. Capital project funds account for all resources received and used for the acquisition or development of capital improvements. Table 4 identifies the major funds and the revenues for each fund: Because of the large number of County funds, only three will be discussed here. Additional detail is provided in other sections of the budget document.

Public Transportation Enterprise Fund

The Public Transportation Fund is one of the largest funds operating within King County. This fund accounts for the operations and maintenance of public transportation facilities in King County. Primary revenue sources include sales taxes and passenger service fees. This discussion does not include the capital funds associated with public transportation. The total operating revenues received by the fund for 2001 are projected to be \$318 million. The local sales tax provides \$210 million while passenger fees provide nearly another \$100 million.

Water Quality Enterprise Fund

Two funds account for the activities of the Water Quality Enterprise Fund. Fund 461 accounts for the operations and maintenance while fund 461-6 accounts for capital improvements and expansion of the County’s water pollution control facilities under the King County Water Pollution Control Division. Two major treatment plants exist, the West Point Treatment Plant in Seattle and the East division Reclamation Plant in Renton. Major construction projects are funded through revenue bonds.

The Wastewater Treatment Division operating budget for 2001 is \$195 million and the capital budget is an additional \$96 million. The sources of funds for these are primarily customer charges (\$185 million) and bond proceeds (\$96 million), respectively.

Current Expense Fund Revenues

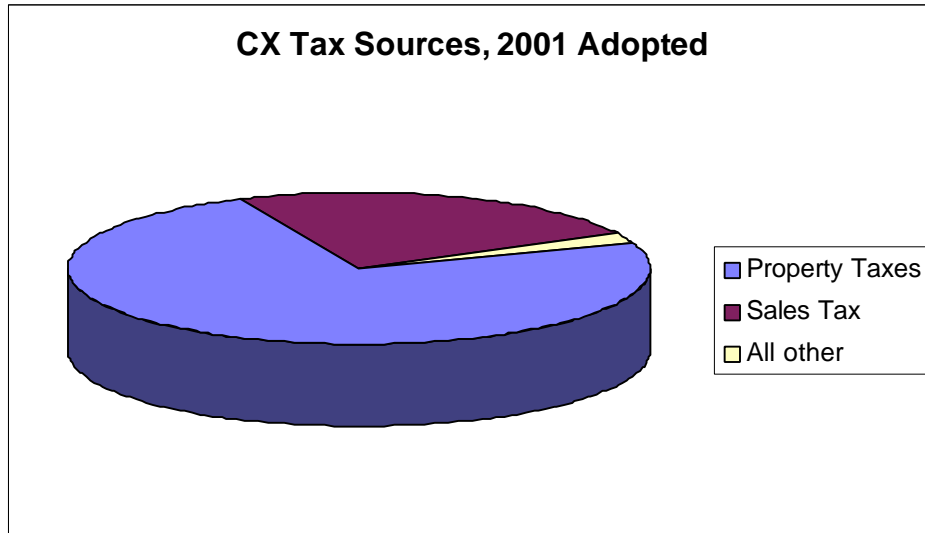
The Current Expense Fund (CX) raises its money from six principal sources. Table 5 indicates that the majority of this money is from taxes, which account for 60.5% of revenue sources.

TABLE 4: CURRENT EXPENSE FUND REVENUE SUMMARY
Current Expense Revenue Summary

	1999 Adopted	2000 Adopted	2001 Adopted
Taxes	252,491,551	269,023,158	286,051,603
Licenses & Permits	4,858,255	4,886,200	5,140,510
Federal Grants-Direct	1,105,599	1,879,779	1,897,000
Federal Shared Revenues	39,140	39,140	39,140
Federal Grants-Indirect	4,657,898	4,328,755	5,900,152
State Grants	1,548,526	1,637,478	1,535,680
State Shared Revenues	167,030	176,000	176,000
State Entitlements	1,257,917	1,297,505	1,292,505
Grants From Local Units	20,320	14,000	14,000
Intergovernmental Payment	49,080,342	52,656,427	55,679,528
Charges For Services	70,993,265	76,991,057	80,258,079
Fines & Forfeits	6,420,929	6,810,093	7,164,871
Miscellaneous Revenue	17,102,705	15,454,140	19,219,214
Other Financing Sources	7,148,024	10,204,034	5,509,316
TOTAL REVENUES	416,891,501	445,397,766	469,877,598

Of tax sources, property tax is the most important. Figure 3 provides the breakdown of the tax sources:

Figure 3



*****In 2001, the County expects tax revenues to increase 6% over 2000. Most of the increase is accounted for by increases in property and sales taxes.***

***C U R R E N T E X P E N S E F U N D C H A R G E S F O R S E R V I C E
R E V E N U E***

The greatest amount of change in revenues has occurred in the areas of charges for service and intergovernmental payments. Charges for services in the Current Expense Fund have grown rapidly in the past decade. In 1991, charges for services plus intergovernmental services accounted for \$64.7 million in revenue, or 24% of General Fund revenues. By 2001, this is projected to increase to \$136 million, or 24%. Table 6 provides detailed information for the past three years:

TABLE 5:
CHARGES FOR SERVICE AND INTERGOVERNMENTAL
PAYMENTS REVENUE SUMMARY

	1999 Adopted	2000 Adopted	2001 Adopted
Public Safety	21,499,657	26,614,721	32,916,218
Parks and Recreation	4,581,238	5,105,022	4,858,781
Resource Lands/Open Space	174,099	1,428,068	1,569,262
Licensing	7,952,500	8,829,455	8,966,840
Property Services	973,800	1,030,805	1,474,305
Records and Elections	6,575,982	8,917,948	7,329,943
Prosecuting Attorney	5,534,057	5,943,169	6,937,051
Superior Court	604,598	1,011,459	1,388,268
District Court	4,238,891	5,297,841	4,119,264
Judicial Administration	2,785,197	3,257,467	4,235,894
Adult Detention	25,541,596	25,728,947	27,913,529
Public Defense	2,029,731	2,317,141	2,811,908
All Other	37,582,261	34,165,441	31,416,344
Total	120,073,607	129,647,484	135,937,607

The largest two areas where the County provides contract services are Public Safety and Adult Detention. The King County Sheriff's Office provides contract services to many jurisdictions around the region while the Department of Adult Detention provides contract services for the incarceration of misdemeanants.

Outyear CX revenue projections--In the years beyond 2001, the local economy should continue its long-term trend of slowing growth. Employment growth is projected at 1.8 percent annually between 2000 and 2010; only slightly more than the 3.3. percent rate achieved since 1970. By 2010, the *Economic Forecaster* predicts that the region will have 2.0 million jobs, \$217 billion in personal income, and 3.7 million people.

CONCLUSION

King County's 2001 economic outlook projects a slowdown from the rapid growth of the past few years. There is some uncertainty about the revenue outlook for 2001 and beyond. Not only are future economic conditions subject to a number of uncertainties including future oil prices, stock market valuation, and consumer spending but also Initiatives on the November 2001 ballot could have a significant fiscal impact on the county.

On the following pages the proposed Current Expense Financial Plan is presented for the years 2001 through 2003 with 1999 actuals and 2000 estimates. Further descriptions of each of the major revenue items are contained in the appendix to this section.

[Link to CX Financial Plan, part 1](#) 13 KB

[Link to CX Financial Plan, part 2](#) 12 KB

[Link to CX Financial Plan, part 3](#) 11 KB

APPENDIX

OPERATING REVENUES AND FORECAST ASSUMPTIONS

Detailed Descriptions

TAXES

2000 Adopted	719,275,061
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2001 Adopted	683,910,460
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Property taxes and the retail sales and use tax are the major tax accounts. Other significant sources of tax revenues include taxes on gambling, the real estate excise tax, and the E-911 telephone excise tax.

Property Taxes: Property taxes generate more revenue than any other single source, and 2001 current year property tax receipts are projected to be about \$306 million, including the General Fund, the Road Fund, General Obligation Debt, Emergency Medical Services, and other levies. The table on the following page displays 2000 and 2001 property tax rates and tax levies for current year assessments. Projected receipts from current year levies are determined by collection rates which are estimated at 97.25% for the All-County Levy.

Real Estate Excise Tax. Revenue from a 0.25% excise tax on the value of real estate sales in unincorporated King County are deposited in a special revenue fund and used for capital projects benefiting unincorporated area residents. Real estate excise tax revenues from the 0.25% tax are estimated to be \$5.75 million in 2001.

In 1992 the King County Council enacted the remaining 0.25% REET. The funds are to be used for parks in unincorporated King County. As with the first 0.25% discussed above, this tax should yield \$5.75 million in 2001.

LICENSES AND PERMITS

2000 Adopted	18,022,369
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2001 Adopted	18,030,720
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Charges for licenses and permits are imposed as a means of regulating certain private activities in King County to ensure the protection of the health, safety and welfare of the general public. State law and County ordinances provide for permit processing fees to support the costs of reviewing residential and commercial development plans and of inspecting construction sites to ensure compliance with applicable codes and regulations.

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Development permit fees are the largest source of revenues from County issued permits. Revenues from these fees accrue to the Department of Development and Environmental Service, the Road Fund, the River Improvement Fund, and the Public Health Pooling Fund.

The County also issues business/occupation and non-business licenses. The County issues professional licenses for such activities as taxicabs, carnivals, fireworks stands, amusement devices, massage parlors, food handlers, and private security guards. In the category of non-business licenses, animal licenses represent the largest revenue account. Revenues from licenses and permits depend on the volume of activity and on the portion of costs to be covered by the fee. As a general rule, regulatory fees are established to recover the costs of administration, review and regulation, and enforcement.

Although the County issues motor vehicle licenses for the State, the County is paid a fee for this service by the State, and revenues from this source are included in service fee revenues.

INTERGOVERNMENTAL REVENUES

2000 Adopted	370,428,019
2001 Adopted	414,449,918

Intergovernmental contributions include: (1) reimbursements to the County for services provided to other jurisdictions; (2) direct contributions in the form of project grants; (3) State allocated revenues such as grants-in-aid for mental health and developmental disabilities, gasoline tax, and liquor taxes. These sources represent 20.9% of all King County operating fund revenues.

Intergovernmental payments are revenues from reimbursements or payments for services to other jurisdictions which result from such activities as administration of elections, provision of municipal court services, delivery of public health care, booking and custodial care of jail inmates, and provision of public defense and public safety services. Provisions and terms for reimbursements are normally stipulated in contracts or interlocal agreements. Revenues from these sources are generally expected to follow changes in costs for the services and fluctuations in the volume of activity.

CHARGES FOR SERVICES

2000 Adopted	661,206,645
2001 Adopted	741,870,293

Charges for Services is made up of two components, Service Fees and Intergovernmental Interfund.

ECONOMIC AND REVENUE FORECAST

Service fees account for about 36.3% of all King County operating revenues. Most of the revenues generated in King County's Enterprise funds -- Solid Waste, Airport, and other funds -- are accounted for in this revenue category, and appear in the above figures. Likewise, Water Quality's revenue is almost entirely composed of Charges for Services.

This category also includes charges for various services provided by King County which benefit specific individuals or identifiable groups of people, rather than the public as a whole. It is more equitable to charge users all or a portion of the cost of the service rather than finance the program entirely from general revenues.

Other service fees include charges for court filings, motor vehicle licensing, recreation programs, health services, spaying, neutering and sheltering of animals, recording and reproduction of public documents, and use of County facilities. Most of the fees are based on the actual costs incurred by the County in providing the services. However, some fee structures, such as those for health and many recreation services, are set at a level below full costs in order that these programs will be accessible to a broad cross-section of people.

In the category of payments for services between County funds, there are direct payments and overhead payments. The 2001 amount collected from other funds for Current Expense overhead is \$25.8 million.

FINES AND FORFEITS

2000 Adopted	7,069,093
2001 Adopted	7,232,871

Revenues from fines and forfeits amount to only 0.5% of the County's total operating revenues. The largest source of revenues included here comes from assessments imposed by the District Courts for traffic violations and crimes committed in unincorporated King County.

MISCELLANEOUS REVENUES

2000 Adopted	29,496,904
2001 Adopted	160,022,094

The miscellaneous revenue category contains sources of income that are not accounted for elsewhere. Taken together, these sources account for 7.8% of all King County operating revenues. The largest single source included here is interest income.

Investment Interest: \$9.2 million will accrue to the Current Expense Fund. Under authority provided in state law, the King County Director of Finance invests County and non-County funds not otherwise invested nor required for immediate expenditure in financial instruments designated by state statute. The forecasted 2001 average earnings rate for County investments is 6.125%.

OTHER FINANCING SOURCES

2000 Adopted	234,896,272
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2001 Adopted	215,285,198
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The “Other Financing Sources” category the pass-through of taxes collected for the Public Facilities District to pay bonds issued to build the new baseball stadium, as well as other sources.